

**REFORMULATION OF BUSINESS STRATEGIES
FOR INCREASING SALES OF TIN PRODUCT STABILIZER AT PT. TIMAH INDUSTRI**

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Abstract- *PT. Timah Industri (PT TI) is a subsidiary of PT. Timah (Persero) Tbk which exploit comparative advantage of its parent company as the second largest tin producer in the world. With these advantages PT TI entered the downstream PVC stabilizer tin base. Starting from the difficulty of selling their products and then raised the question in inventory management. PT TI should immediately take strategic steps to save the tin chemical business continues to lose money from time to time. From the results of an exploratory study on the issue of business acquired four main issues, namely: on the product and marketing, material, financial and managerial. Then advised there are three (3) basic strategies that can be selected as the main basic approaches for achieving the strategic objectives of PT TI market development, product development strategy and strategic alliance strategies. This new formulation of business strategies to use PT TI Business Model Canvas in 2013 and used as the basis for the application of Diamond Strategy until the end of 2015 which includes a focus on the core business, forming strategic alliances, developing a network of distribution channels and financial restructuring in the hope that the business of PT TI can continue to survive and thrive, and sustained in the future.*

Keywords: Business Strategy, Business Model Canvas, Market Penetration, PVC Stabilizer

1. Introduction

PT. Timah Industri (PT TI) was founded in 1998 and originally to have a business in the field of trading and provision of engineering services and industrial, construction and fabrication of mining equipment parts, metal casting, the production of oxygen gas, consulting and feasibility studies, as well as the project management industry. The mission strategy of the holding company, PT TI to diversify and grow the business in the direction of downstream industry to build and operate the plant in Cilegon-Banten, area of Tin Chemical Plant 8.3 hectares that produces Thioglycolate Acid Stabilizer (TGA Stab) with an installed capacity of 10,000tonnes of product per year. TGA stabilizer as function as heat stabilizers in the PVC's production process. Brand is the brand marketed by Banka Stab and biggest customers are in Asia, followed by the domestic, and the rest of Europe and America. Since 3 (three) years ago , PT TI suffered a loss that is characterized by return on equity (ROE), return on assets (ROA), net profit margin, sustainable growth rate tends to be negative.

2. Business Issue Exploration

A. Conceptual Framework

The conceptual framework of thought is made to the discussion of this journal can be seen more systematic and easy to understand. The following workflow is concept framework of thought given in Figure 1.

Figure 1 below, can be used to find the root cause of business issues or challenges and generate several solutions for that. It consists of business (external) situation and company (internal) situation. After analyzing the situations and find issues or business challenges, then development and alternative strategy are being generated by combining the internal strength to the market condition and external environment by conducting effective of reformulation business strategy for improving competitive advantage of PT TI.

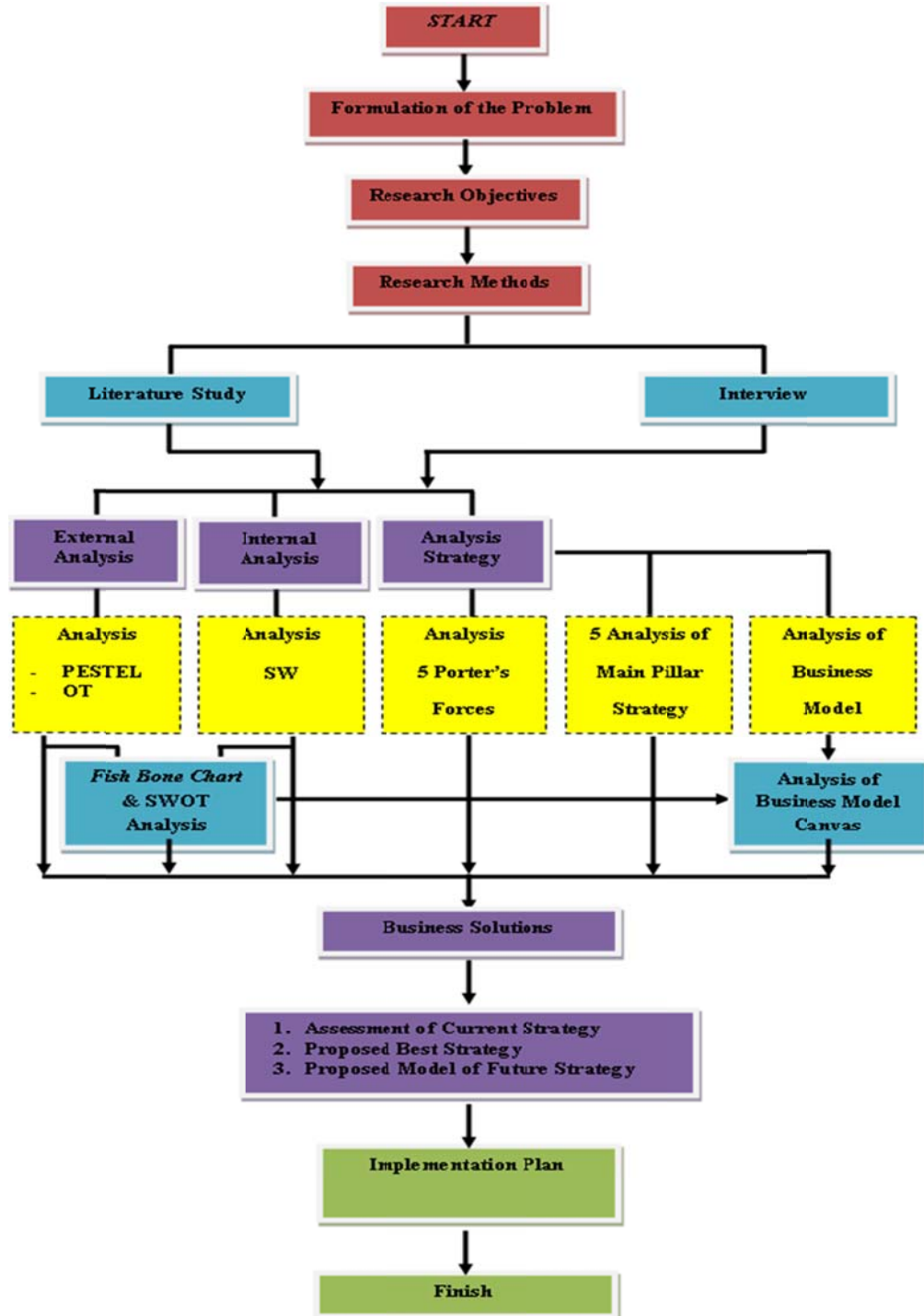


Figure 1. Conceptual Framework

B. Method of Data Collection and Analysis

Primary data were obtained by direct interview with the Marketing Director of PT TI as a key player and contribute significantly to the determination of product marketing policy. Secondary data is data that has been collected for purposes to search the problem, internal data collected directly from PT TI, while external data collected from various sources and in-depth analysis of such environmental scanning, books, and several online resources.

C. Analysis of Business Situation

In this phase, it is important to know where the current PT TI position, we have been able to obtain through strategic analysis that has been done, the analysis of PT TI's internal and external analysis. By the assessment of internal analysis knowable PT TI's performance, which describes the position of the advantages and disadvantages of PT TI. While the assessment of external and industry analysis can be explored identifying broader trends, with illustrations of business opportunities that exist or are being faced now and the threat or operational constraints PT TI. Both factors have a significant influence to be able to survive in the chemical industry of tin stabilizer for PVC.

To find out how far the influence of external factors used Pestel analysis (Political, Economic, Social, Technological, Ecological and Legal) for each production activity. Tin chemical products entry into the American market have to pass the FDA certification, if entry into the Middle East market must have a halal certificate is usually issued by Kosher, for the European market there is the issue of REACH (Registration Evaluation Authorization and Restriction of Chemicals), which prohibits the use of tin in buthyl Europe; thus there buthyl market opportunities can be replaced by a tin stabilizer methyl tin stabilizer. There was also the issue VINYL 2012 which will be enforced in the U.S., Asia and Europe to ban the entry of products that contain toxic compounds such as heavy metals lead (Pb), the use of lead stabilizers in Europe should be reduced by 50% and eliminated its use in 2015. For the domestic market there are plans for the implementation of SNI products in the country gradually. Here the severity of toxic content in some stabilizer that will be banned in the industrial world:

- Lead Stabilizers: high toxic
- Buthyl tin stabilizer: high toxic
- Octhyl tin: medium toxic
- Mixed metal (Barium / Cadmium): medium toxic
- Methyl tin: low toxic
- Mixed metal (Calcium / Zinc): low toxic

Lead stabilizers, tin stabilizer buthyl, octhyl tin stabilizer and Ba / Cd stabilizer banned / not recommended to use water pipes, bottles of mineral water and wrap in direct contact with food. Only methyl tin stabilizer (TGA and RE stabilizer) and Ca / Zn stabilizer is recommended for these applications.

Analysis of internal environment factors was conducted to determine the extent to which the ability of PT TI in business competition, it is used VRCS analysis (Valuable, Rare, Costly to imitate and non Substituable) according to Table 1. Result of market attractiveness and PESTEL tools can take the form of a summary that is competitive consequences:

Table 1. VRCS Analysis of Tin Chemical Plant of PT TI

Business	Factors	V	R	C	N	Competitive Consequences
Tin Chemical Plant	Technology of <i>tin stabilizer</i>	Y	N	Y	N	Competitive Parity
	R&D <i>tin stabilizer (Application's laboratory)</i>	Y	Y	Y	N	Temporary Competitive Advantages
	Network Marketing (Timah Groups)	Y	Y	Y	N	Temporary Competitive Advantages
	After Sales Service	Y	N	Y	N	Competitive Parity
	Quality of Product	Y	N	Y	N	Competitive Parity
	Varian of Product	Y	N	N	Y	Competitive Parity
	Patent Product and Technology	Y	N	Y	Y	Temporary Competitive Advantages

In general, Tin Chemical Plant had reached the level of competitive parity and partly on temporary competitive advantages. Judging from the results of the analysis still needs improvement and repair in order to have a sustainable competitive advantage in business. The conclusion of all environmental (external & internal) scanning, the authors conclude several things, such as:

- The macro environment of PESTEL found that there are many factors that can affect the business because almost all PT TI's PESTEL analysis showed that the signal is not good in terms of the macro environment.
- From the Five Forces analysis the authors found that the market is less attractive.
- PT TI has a lot of threats and opportunities for grabs, as we can see from the SWOT analysis: PT TI should provide better value and benefits to customers in terms of replacement and face competition with similar products. In addition, PT TI must be able to take advantage of its comparative advantage.

Competitor Analysis

By market research conducted by PT TI, chemical tin market growth is expected to occur in China, the Middle East, and South America along with the growth of industrial plastic / PVC in the region. But the competition is getting tougher by the presence of free trade that allows all tin chemical products flooding the market from different countries. The domestic market is currently dominated by products with a market share lead stabilizer 5000MT/year. The issue of environmentally friendly products opportunities low tin chemical toxic stabilizer replaces the lead market. This is reinforced by the realization that consumers are now more accepting of products that are environmentally friendly and do not cause health effects.

3. Business Solution

The mapping index value competitive advantage to market attractive index value obtained for PT TI policy alternatives that improve and optimize the position of PT TI role in the competitive market. By using tools GE-Mc Kinsey Matrix, policies that can be taken is to strengthen the position and optimize positions (according to Figure 2). In order to direct the strategy to be taken to run the company, we must understand the role of the parent basic strategy, or better known as the grand strategies. Master basic strategy is referred to as Master Strategies that provide basic direction for strategic actions.

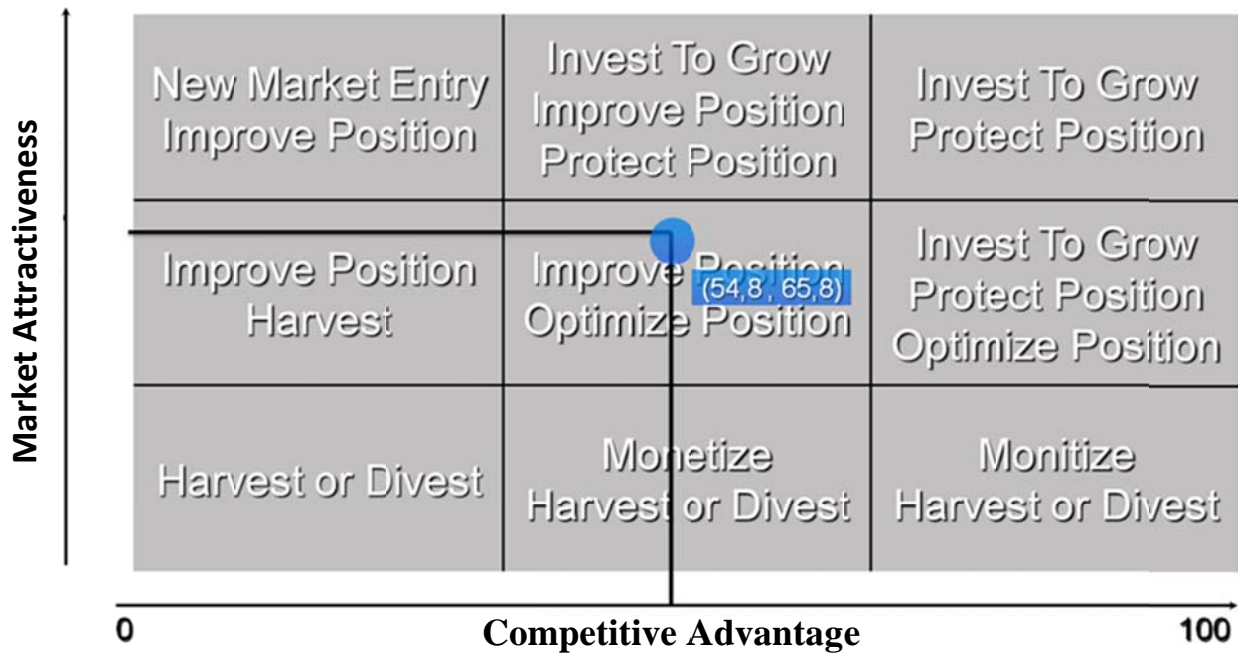


Figure 2. GE-Mc Kinsey Matrix of PT TI

PT TI's management seeks to change the current conditions, from quadrant Improve and Optimize Position to be one level above the quadrant are Invest To Grow; Improve Position & Protect Position. From the literature there are several approaches strategies, three of them by Assauri (2011) is the basic strategies that can be selected as the main basic approaches to the achievement. The third strategy is:

a. Market Development Strategy for Improve Position

This strategy was chosen to run with the consideration of coordination can be done, so it will be able to achieve a lower cost of sacrifice and risk is smaller. The emphasis of this strategy is the marketing of products that are now executed, the expertise and judgment have had good skills in marketing to existing customers, as well as to new customers. In this case the activities are the addition of enhanced distribution channels and subsidiaries, as well as modify and improve the program through advertisements and promotional marketing programs mixed.

b. Product Development Strategy for Invest to Grow

This strategy was chosen to run in order to modify existing products or creating new products that are still associated with the current product. The idea of this strategy is selected to run in order to be able to give satisfaction to the customer. Meanwhile, at the same time to develop products, the impact of efforts to deepen the cycle of a product known as the product life cycle.

The emphasis of the implementation strategy of product development is to increase the attractiveness of the product and at the same time maintaining the image of the brand and reputation of the company, as well as provide additional positive experience for the customer.

c. Strategic Alliance Strategy for Protect Position

Basically differentiated strategic alliances with joint ventures, as companies that participate, do not give up equity position from one to the other. In many instances Strategic Alliance is a partnership which is valid for a certain time, for a partner to contribute to the skills and manufacturing capabilities for a joint project. For example, one partner provides manufacturing capabilities, while the second partner provides skills and marketing abilities.

4. Recommendation and Implementation Plan

PT TI experienced operating losses in recent years that resulted in the company having accumulated net losses as of December 31, 2012 and 2011 amounted to Rp 190,330,723 thousand and Rp 191,070,622 thousand and negative cash flow from operations in 2012 and 2011 .

In 2011, the Company operates downstream (Tin Chemical) for the first time. This situation causes a great expenses are mainly due to produce a product that requires a large market penetration and investment expenses.

Plans and management actions in the face of these conditions include:

- ✚ Restore the business unit and the Metal Smelting Plant Oxygen to the parent company.
- ✚ The company concentrates on selling the business and production of tin chemical products.
- ✚ Forming strategic alliances with competitors or similar industries
- ✚ Forming an independent distribution channel in the U.S., Europe, India, China, Southeast Asia and domestic.
- ✚ Financial restructuring in 2013.

Strengthening efforts on tin chemical was started in 2012. Supply chain for raw materials will be set up with a reliable supplier. The company plans to produce its own raw materials. Improvements will be made in all areas, including by increasing the production of products Banka Stab 98% of the production and marketing of products further strengthen Banka Stab in the world.

PT TI's recommendation strategies must be a bona fide 5 elements that can answer each of the following questions by using Diamond Strategy as tools for recommendation & implementation such as:

Arenas mean where PT TI is always active in carrying out its activities:

- a) Category PVC Stabilizer-tin products based TGA & RE Stabilizer with different variants of tin content appropriate product applications, ranging from low end to the high premium price.
- b) Distribution channels are selected through exclusive agents per global and regional marketing division for the domestic and Asian markets.
- c) The main market segment is domestic and the other in Asia while outsourcing through exclusive agents.
- d) Domestic and Asian geographical area.
- e) Core technology selected is high pressure and temperature process.
- f) Value creation strategy is to support the applications laboratory product customization to meet specific orders from the customer and technical service.

Vehicles mean how can PT TI reach the arena:

- a) Internal development through ISO 9001, ISO 14001 and OHSAS 18001 as well as technical training in the field of application of PVC/Polymer, strengthen the role of the department PPIC (Production Planning Inventory Control) in coordination with the Marketing Distribution and Procurement (Procurement).
- b) Licensing Agency patent through National & International Patents, and FDA Certification, Kosher, etc.
- c) Alliance with scientific institutes, ITRI and complementary with suppliers or competitors in production or sales quotas and geographical segments.
- d) Imaging through a holding company with subsidiaries worldwide, PT Timah (Persero) Tbk.
- e) Customization on demand market / consumer.
- f) Competitive price after raw material costs can be reduced, LC or TT payment term of 90 days, long term contract agreement with the formulation of commodity prices and oil tin

automatically evaluated when fluctuations occur in a given period.

- g) Guarantees reliable products, enhance the role of R & D Tin Chemical Factory in collaboration with academic experts, with new product replacement warranty tin stabilizer to end product with all its consequences.
- h) Rapid entry into the market by providing samples to the end user / exclusive agents, discount rate, the fee interest to the exclusive agents.

Differentiators mean how can PT TI win in the marketplace:

- a) Product customization
- b) SOP Best Practice: Long Term Contract Agreement
- c) Determination of Discount Rate Strategy & Fee Agents

Staging & Pacing mean what steps or stages, as well as the sequence of movement activities, as well as speed:

- a) Speed through intensive market expansion program.
- b) The order of the initiative through a series of site visits to the end user, following exhibitions etc.

Economic logics mean how will results be achieved with economic logic:

- a) Low cost through economies of scale to accelerate the Phase II project to reduce dependence on raw materials.
- b) Achieve a premium price for a superior product and because of the right products.

In Figure 3 is a plan in the form of Gantt chart for program implementation PT TI business strategy reformulation recommended since June 2013 until the end of December 2015, coupled with the allocation of time to all possibilities.

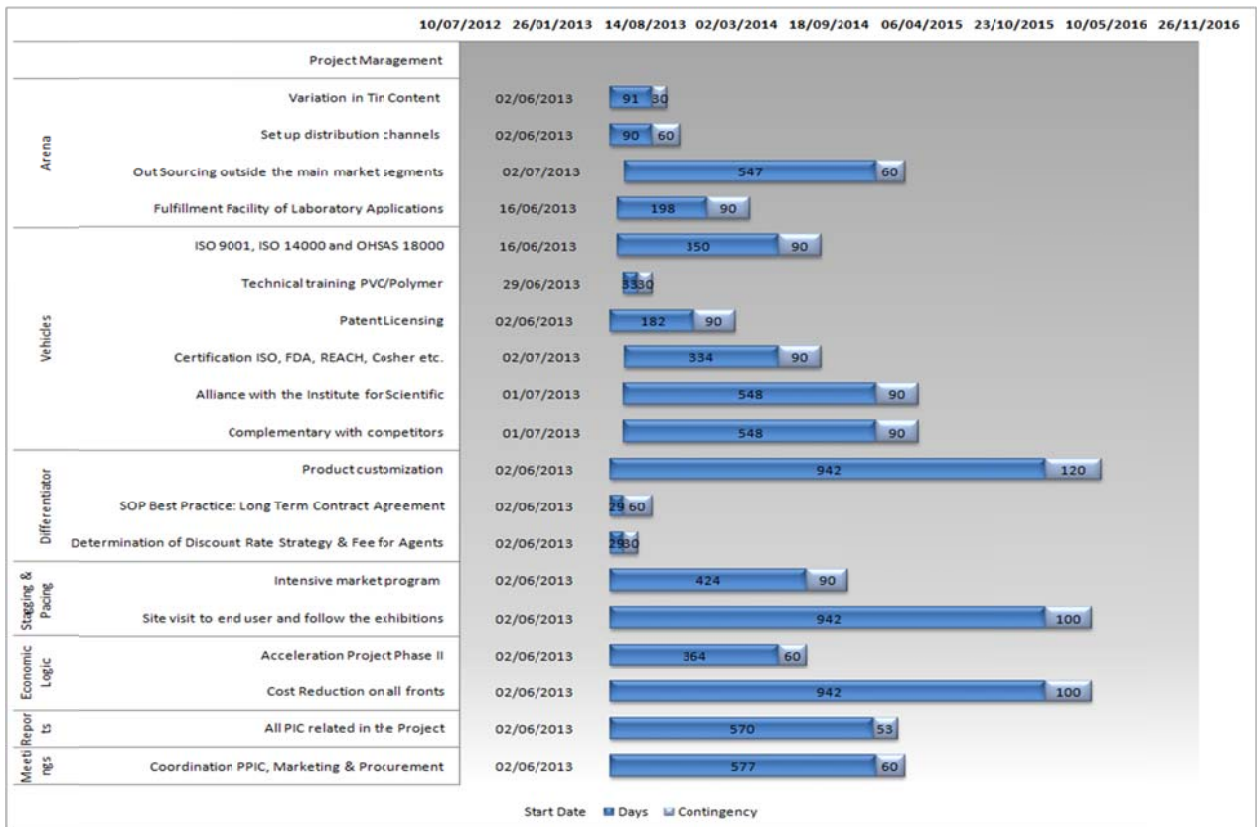


Figure 3. Gantt Chart Reformulated Business Strategy Implementation Program for PT TI
Proposed canvas business model used by the authors as tools for recommendation as follows:

1. Value propositions: This value must be aligned with the customer segment / customer. Proposed products PVC Stabilizer - tin based in premium quality with competitive prices and flexible payment methods supported by innovative marketing communication through Information Technology (IT) and technical supports.
2. Customer Segment: Segment customers / consumers PT TI is a company that runs a business that uses PVC Stabilizer - Tin Based and has the same value that is environmentally friendly concept.
3. Distribution Channels: In order to get customers / consumers, and to communicate and deliver value of PT TI, the company created a distribution channel through direct deals with implementing an email marketing creative for each target market. It also uses the website, proposals and business tour to the end user to take a chance in order to marketing. For the indirect method through exclusive agents appointed by PT TI as a strategic partner.
4. Customer Relationship: To retain and engage customers / consumers and make them buy the product again continuous PT TI, PT TI provides 24/7 customer via email response and customer service between the hours of 9:00 a.m. to 17:00 on weekdays. Purchase bundled services are also offered to customers / consumers in order to make them buy the product at an affordable price, and is more efficient, more often they buy / use the product PT TI, the more they earn discounts / rebates appropriate level of volume based.
5. Revenue Stream: PT TI's all revenues received from the sale of products directly to customers and indirectly through partner sales agents with the method of dynamic pricing, real time market and price negotiations for the purpose of market penetration.
6. Key sources: Fixed asset investment is one of the company's resources, which consist of factories, office buildings, laboratories and all the trimmings. However, the resources or the most important asset is human resources in the PT TI visionary, innovative, initiative, and have a problem solving mindset and values. And coupled with the brand patent Stabilizer for PVC products.
7. Main activities (Key Activities): The main activities of PT TI to do is:
 - ✓ Completion of the method of production and quality control process so that the product meets the specifications of the expected consumer.
 - ✓ An increasing number of production and sales of tin chemical products. PT TI intense marketing should make an offer directly to the customer and the agent.
 - ✓ Addition of product variants. R & D department have proposed the development of new business proposed periodically.
 - ✓ Corporate Restructuring.
 - ✓ Increased efficiency in every line of operation.
 - ✓ Increased HR competencies.
 - ✓ Engagement of employee and management should be realized by linking the KPI's to strategy, vision, mission and compensation plan/packages. Shared of KPI among the division/unit of different perspective.
8. Key Partnership (KP): To support this effort, PT TI involved important stakeholders consisting of suppliers and external marketing agencies that have maintained a good relationship with.
9. Fee Structure (Cost Structure): The structure of PT TI costs are operating costs, employee salaries, and the initial investment installments to be paid.

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